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Condominium Guidelines

Overview Condominium Project Review Process

A condominium is a form of ownership characterized by holding title to a single unit together with a proportionate undivided ownership interest in the common elements. Common elements typically include land, roofs, floor, walls, lobbies, and community spaces and facilities. The common elements are usually maintained, but not owned, by a non-profit homeowner's association.

Project eligibility risk is a risk that is distinct from the credit risk presented by individual borrowers. Units located in a project presents risks that are distinct from the risks associated with properties that are not part of a homeowners' association (HOA) or project. The agencies require a project review to be made to determine among other things the marketability and condition of the project and the units within the project as well as the financial stability and viability of the same. To determine whether the project meets these requirements, a number of project review methods are available, and the type of review depends on:

- Mortgage Product: Fannie Mae/Freddie Mac, FHA, USDA and VA,
- Mortgage Transaction: Purchase, Rate and Term Refinance or Cash Out Refinance,
- The number of units in the project,
- Project status: New or Established,

The Originator should review Fannie Mae, Freddie Mac, FHA, and VA approved projects lists prior to submitting a review request:

- https://selling-guide.fanniemae.com/sel/b4-2/project-standards
- https://guide.freddiemac.com/app/guide/chapter/5701
- https://entp.hud.gov/idapp/html/condlook.cfm
- https://vip.vba.va.gov/portal/VBAH/VBAHome/condopudsearch

Condominium Project Review Submission: The Loan Originator is to provide all the required condominium documentation, project by-laws, articles of incorporation and applicable project insurance documents according to the Project Review type listed in FLCBank Condominium Review Checklist and Condominium Questionnaire applicable to the project review type, completed by the HOA to the condo review department via email and carbon copy your Account Executive (AE) in your communication with the Condominium Review Department.
Note: All Project Review Type (Limited/Streamline, or Lender Full Review) are performed by the Condo Review Department.

To contact the Condominium Review Department with any request or question you can reach them via e-mail at reviews@condoreviews.com please include the name and location of the project, FLCBank'S loan number, indicate type of project review you are making. Their full contact information is:

Condominium Review Department
E-mail: reviews@condoreviews.com
10200 Forest Green Blvd, Suite 112
Louisville, KY 40223
Telephone number: 941-748-3087
Fax number: 941-747-9725

The Condo Review Department will review the project and once complete, the originator will receive an email indicating his/her of the approval or denial of the project and the project review results will be uploaded into the LOS imagining system (Mortgagebot/ImageFlow).

Fannie Mae Projects

Project Eligibility

Fannie Mae's project eligibility allows lenders to conduct different types of project reviews and the documentation needed to complete a project review may differ depending on the project and review type.

Project Standards and General Information

The documentation needed to complete a project review may differ; the lender is responsible for determining the documentation needed to ensure the project meets Fannie Mae's eligibility requirements and to maintain all the project documentation needed to demonstrate acceptability.

Project Types

I. **Established Condominium Project:**
   a. A project is considered to be established when all of the following are true:
      - At least 90% of the total units in the project have been conveyed to buyers,
      - All the units in the project are 100% complete including all common elements,
      - The project is not subject to additional phasing or annexation; and
      - The control of the HOA has been turned over to the unit owners.
   b. A project may also be treated as an established project with less than 90% of the units sold to buyers if the deficit in the sale percentage is the result of the developer holding back units for rents; in which case, the following requirements must be met:
      - The construction is 100% complete,

- The project is not subject to any additional phasing or annexation, and the HOA has been turned over to the unit owners,
- The developer's share of the units held back for rental is no more than 20% of the project's total units,
- HOA fees are paid current in developer-held units; and
- There are no active or pending special assessments in the project.

II. New Condominium Project:
A project is considered "new" when one or more of the items noted below are present:
- Less than 90% of the total units in the project have been conveyed to unit buyers or 80% if it meets the exception noted in item (b) above,
- The project is not fully completed, or is proposed/under construction or incomplete conversion of an existing building to a condominium,
- The project is newly converted,
- The project is subject to additional phasing or annexation; or
- The HOA is still in the developers' control.

III. Detached Condominium Project:
A project comprised of detached units or with a mixture of attached and detached units that is new or established project is considered a Detached Condominium Project.

IV. 2 to 4 Unit Condominium Project:
A 2-to-4-unit condominium project can be new or established and may be comprised of attached and/or detached units.

V. Manufactured Home Project:
A project consisting partially of or solely comprised of manufactured homes.

VI. Planned Unit Development (PUD):
A Planned Unit Development (PUD) project or subdivision consists of common property and improvements that are owned and maintained by an HOA for the benefit and use of the individual PUD unit owners.

Project Review Type and Project Review Method

Project Type	Project Review Method at FLCBank
Attached Condominium unit in a new or newly converted Project	• Lender Full Review completed along with Condo Project Manager (CPM), or • Fannie Mae Review through the standard Project Eligibility Review Service (PERS) process. The Condo Review Department will not submit a PERS Review request to FNMA.
Attached Condominium unit in an Established Project	Based on the LTV/CLTV/HCLTV, occupancy, and location, these projects may be reviewed using a Limited Review. Projects not meeting the Limited Review criteria by the DU AUS must be reviewed utilizing a: • Lender Full Review with CPM, • Fannie Mae will accept the use of FHA Project Approval Type HUD Review and Approval Process (HRAP), or • Fannie Mae Review through streamline PERS process for established condo projects.

Unit in a new or established two- to four-unit Condominium Project	Project review is waived with the exception of some basic requirements
Detached unit in a new or established Condominium Project	Project review is waived with the exception of some basic requirements
Condominium Unit in a Project approved by FHA	Fannie Mae will accept the use of FHA unexpired approval in *established projects* when the approval was completed by FHA HUD Review and Approval Process (HRAP) rather than through the FHA Direct Endorsement Lender Review and Approval Process (DELRAP). The lender must ensure the project meets Fannie Mae's established project; it is not comprised of manufactured homes; the project meets the requirements applicable to all properties in a Condominium described in Fannie Mae's General Information on Project Standards (B4-2.1-01); the project is not an ineligible project described in Fannie Mae's ineligible project section B4-2.1-03, and any additional conditions noted on the FHA condominium approval have been met.
Unit in a PUD project	Project review is waived with the exception of some basic requirements. Fannie Mae has certain eligibility requirements for units in a PUD per section B4-2.3-01. The insurance requirements for a PUD project depend on the Association in charge of the project. See FLCBank's Hazard Guides posted in the Resource Center.

Project Review Waiver Requirements

The following table reflects the project types or loan transactions that do not require a thorough project review per Fannie Mae as wells as the requirements for which the project review is waived:

Project/Transaction Type	Requirement
Detached Condominium Unit	This waiver applies for new and established projects. The unit is completely detached from other condominium units in the project and may not share adjoining walls, ceilings, floors, or other attached architectural elements such as breezeways or garages with any neighboring unit. A detached condominium unit may be in a project consisting solely of detached units or in a development containing a mixture of attached and detached units. Site condominiums in which the unit owner owns the detached unit and the land upon which the unit is built are a type of detached condominium.
Unit in a 2-4 Unit Condominium Project	The project review is waived for new and established condominium projects consisting of no more than four units.
Unit in a PUD Project	Project review is waived; however, Fannie Mae has certain eligibility requirements for units in a PUD. You will find those requirements further noted in these guidelines.

Fannie Mae to Fannie Mae Limited Cash Out	Project review is waived for units in a condominium project for Fannie Mae owned loans that are refinanced as a limited cash out refinance with a maximum LTV of 80% (CLTV/HCLTV may be higher). For attached projects consisting of five or more units, confirm there are no unaddressed critical repairs outstanding or projects with evacuation orders (described in Ineligible Projects in these guides and in FNMA B4-2.1-03, Ineligible Projects) if the loan is a Fannie Mae to Fannie Mae limited cash-out refinance.
Important: If the property is located in a project where manufactured homes are present, the project or the property is not eligible for a review waiver. The following requirements apply for all project types noted above: - The project is not in Condo Project Manager (CPM) with a status of "Unavailable". - The project cannot be a condo hotel, motel, houseboat project, a timeshare or a segmented ownership project. - The property must meet all applicable appraisal requirements (when an appraisal is required) and property eligibility requirements. - Meet Fannie Mae's priority of common expense assessments. - All insurance requirements and provisions are met.	

Priority of Common Expense Assessment

Projects that permit a priority lien for unpaid common expenses over Fannie Mae's priority lien is ineligible; however, Fannie Mae allows a limited amount of regular common expense assessment (HOA fees) to have priority over Fannie Mae's first lien position for mortgages secured by units in a condominium or PUD project if the project is located in a jurisdiction that has enacted:

- The Uniform Condominium Act,
- The Uniform Common Interest Ownership Act, or
- A similar statue provides for unpaid assessments to have priority over first mortgage liens.

Fannie Mae's permitted priority of common expense assessments to determine eligibility are noted below:

If the Project (Condominium or PUD) is: located in a jurisdiction that enacted a law on or before January 14, 2014 that provides that regular common expenses assessments will have priority over Fannie Mae's lien for a maximum amount greater than six months;

> **Then:** the maximum number of months of regular common expense assessments permitted under the applicable jurisdiction's law as of January 14, 2014, may have priority over Fannie Mae's mortgage lien, provided that if the applicable jurisdiction's law as of that date referenced an exception for Fannie Mae's requirements, then no more than six months of regular common expense assessments may have priority over Fannie Mae's mortgage lien.

If the Project (Condominium or PUD) is: located in any other jurisdiction;

> **Then**: no more than six months of regular common expense assessments may have priority over Fannie Mae's mortgage lien, even if applicable law provides for a longer priority period.

Project Type Code

The lender must provide the Project Type Code and any applicable special feature codes as shown in the following table.

Code	Description
E	Established PUD Project
F	New PUD Project
P	Limited Review-New Condominium Project
Q	Limited Review – Established Condominium Project
R	New Condominium Project - CPM Expedited Review or Lender Full Review
S	Established Project - CPM Expedited Review or Lender Full Review
T	Fannie Mae approved condominium or PUD project including those that: • Have an Approved by Fannie Mae status in CPM, • Are approved through PERS Approval, • Receive a CPM "Approved by Fannie Mae" message in DU.
U	FHA approved condominium project
V	Condominium project review waived (see project review waiver and requirement section)
Special Feature Code and Description	
588	Detached Condominium
296	Project Eligibility Waiver
The lender must enter the Project Type Code and any applicable special feature code in the LOS system.	

Expiration for Project Reviews

Project Review Process Used	Expiration of the Project Review
• Limited Review • Full Review for Established Projects	Must have been completed within one year prior to the Note date.
• Full Review of New Projects	Must have been completed within one 180 days prior to the Note date.
• Approved by Fannie Mae as reflected in CPM	Must be valid (unexpired) as of the Note date*
• Approved by FHA	Must be valid (unexpired) as of the Note date for FHA approved project under HRAP.
* A loan that receives a CPM Approved by Fannie Mae message in DU will retain the Approved by Fannie Mae status through the credit report expiration date specified on the DU Underwriting Findings report, unless the lender makes any changes to the CPM ID, project name, property address (state or zip code), or credit report. Refer to the Lender Full Review Process in these guidelines and FNMA Selling Guide section B4-2.2-02 for additional requirements for loans that receive a CPM Approved by Fannie Mae message in DU.	

Ineligible Projects Characteristics

Loans secured by units in projects with a status of "Unavailable" in Condo Project Manager (CPM) or on the DU Underwriting Findings report are ineligible for purchase by Fannie Mae. If a lender determines that a project does not meet all of Fannie Mae's project eligibility requirements.

- Timeshare, fractional or segmented ownership.
- New projects where the seller is offering excessive sale/financing structures in excess of standard interested party contribution policy including builder/developer contributions, sales concessions, HOA or principal and interest payment abatements, and/or contributions not disclosed on the CD.
- Projects with mandatory upfront or periodic membership fees for the use of recreational amenities, such as country club facilities and golf courses, owned by an outside party (including the developer or builder). Membership fees paid for the use of recreational amenities owned exclusively by the HOA or master association are acceptable.
- Projects operating as hotels, motels, resort, or hospitality entity: A project that has a rental desk, short-term occupancy, and cleaning services that operates as a commercial hotel even though the units are owned individually. Other unacceptable similar characteristics include: the HOA or the project’s legal documents (covenants, conditions, and restrictions) require owners to make their unit available for rental pooling (daily or otherwise) curtailing an individual borrower’s ability to utilize the property; the HOA or the project’s legal documents require unit owners to share profits from the rental of units with the HOA, management company, or resort, or hotel rental company. These include properties that include: Projects with split ownership of the property i.e. common interest apartments or community apartment projects that are owned by several owners as tenants-in-common or by an association in which individuals have an undivided interest in a residential apartment building and land.
- Projects with property that is not real estate, such as houseboat projects, boat slips, cabanas, timeshares and other forms of property that are not real estate.
- Any project owned or operated as a continuing care community (CCC) or facility.
- Projects where the unit is in a building that functions like a traditional condominium, yet the project contains additional resort type amenities or other buildings with resort type amenities.
- Projects in which the HOA is receiving more than 10% of its budgeted income from non-incidental business operations owned or operated by the HOA including, but not limited to a restaurant, spa, or health club available to unit owners and the general public.
- Projects in which the HOA or for which the project sponsor or developer is named as a party to pre-litigation (such as, but not limited to, arbitration or mediation) that are reasonably expected to proceed to formal litigation; the lender must apply Fannie Mae’s litigation policies. Whether the legal action is resolved through arbitration, mediation, or it proceeds to litigation, there is risk that the project is exposed to material financial hardship related to the matters addressed in the complaint; pending litigation, or for which the project sponsor or developer is named as a party to pending litigation that relates to the safety, structural soundness, habitability, or functional use of the project. If the lender determines that the pending litigation involves minor matters with no impact to the safety, structural soundness, habitability or functional use of the project, the project is eligible provided the litigation meets one or more of the following characteristics:
    - Non-monetary litigation including, but not limited to neighbor disputes or rights of quiet enjoyment;
    - Litigation for which the insurance carrier has agreed to provide the defense, and the

amount is covered by the HOA's;
    - The HOA or co-op corporation is the plaintiff in the litigation and upon investigation and analysis the lender has reasonably determined the matter is minor and will result in an insignificant impact to the financial stability of the project;
    - The reasonably anticipated or known damages and legal expenses are not expected to exceed 10% of the project's funded reserves;
    - The HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced and there is no anticipated material adverse impact to the HOA or co-op corporation if funds are not recovered;
    - Litigation concerning localized damage to a unit in the project that does not impact the overall safety, structural soundness, habitability, or functional use of the project; or
    - The HOA or co-op corporation is named as the plaintiff in a foreclosure action, or as a plaintiff in an action for past due HOA assessments.
    - Construction defect litigation in which the HOA is the plaintiff are not considered a minor matter unless the HOA is seeking recovery of funds for issues that have already been remediated, repaired, or replaced. In addition, there is no anticipated material adverse impact to the HOA if the funds are not recovered. The lender must obtain documentation to support its analysis that the litigation meets Fannie Mae's criteria for minor litigation as described above.
- Any project that permits a priority lien for unpaid common expenses in excess of Fannie Mae's priority lien.
- Projects in which a single entity ((the same individual, investor group, partnership, or corporation) <u>owns more than the following</u> total number of units in the project:
    - 5 to 20 units – 2 units
    - 21 or more units – 20%

  Note: See Fannie Mae's Seller's Guide Section B4-2.1 "Single Entity Ownership" to see when the single entity ownership requirement may be waived.
- Multi-dwelling unit projects that permit an owner to hold title or stock ownership and the accompanying occupancy rights to more than one dwelling unit, with ownership of all of his or her owned units or shares evidenced by a single deed and financed by a single mortgage or share loan.
- A project where more than 35% total space is used for non-residential or commercial purposes.
- A project for which FLCBank's concentration level exceeds 15% of the total number of units in the project.
- New or newly converted projects in Florida with attached units that have not been approved by Fannie Mae through the PERS process, as required.
- Projects that represent a legal, but non-conforming use of the land, unless the appraisal analysis reflects any adverse effect that the non-conforming use has on the value and the marketability of the property.
- Loans secured by units in projects with a status of "Unavailable" in Condo Project Manager (CPM) are ineligible.
- A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.
- Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or

the financial viability or marketability of the project. Critical repairs include conditions such as:

- Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
- any mold, water intrusions or potentially damaging leaks to the project's building(s).
- Advanced physical deterioration.
- Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability; or
- Any unfunded repairs costing more than $10,000 per unit that must be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment).

  Examples of Critical Repair/Deferred Maintenance items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures. If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply.

  Routine repairs <u>are not</u> considered to be critical and include work that is:
  Preventative in nature or part of normal capital replacements (for example, focused on keeping the project fully functioning and serviceable); and accomplished within the project's normal operating budget or through special assessments that are within guidelines.

- Special Assessments must be reviewed by the Lender to determine acceptability by obtaining information for each special assessment to determine if it addresses a critical repair:
  - What is the reason for the special assessment,
  - When was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed,
  - what was the original amount of the special assessment and the remaining amount to be collected, and
  - When is the expected date the special assessment will be paid in full.
  - Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and the payment for the special assessment must be included in the DTI.

  If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.
- Inspection Reports: If a structural and/or mechanical inspection was completed within 3 years of the lender's project review date, the lender must obtain and review the inspection report. The report cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required.
  If the inspection report indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly. The lender must review an engineer's report or substantially similar document to determine if the repairs completed have resolved the safety, soundness, structural integrity, or habitability concerns of the project.
- Additional Documentation Review: Lenders may need to review a combination of documents to

determine if a project meets Fannie Mae's physical condition requirements and Lenders are responsible for determining which documents are needed to ensure compliance with the requirements. Some examples of this documentation include, but are not limited to:
- HOA board meeting minutes,
- Engineer report(s),
- Structural and/or mechanical inspection reports,
- Reserve studies,
- A list of necessary repairs provided by the HOA or the project's management company,
- A list of special assessments provided by the HOA or the project's management company, and
- Other substantially similar documentation.

Note: Florida Condominiums located in Miami Dade or Broward County are not eligible for financing at FLCBank except in the Retail Channel. Loans with project exceptions are not eligible for underwriting.

Limited Review Process

A Limited Review process allows the lender to evaluate and approve condominium projects using limited documentation.

To be eligible for a Limited Review, the unit must be an attached unit in an established condominium project.

Limited Review for Attached Units in Established Condominium Projects Outside of Florida	
Occupancy Type	**Maximum LTV/CLTV/HCLTV**
Principal residence	≤ 90%
Second home	≤ 75%
Investment property	≤ 75%

Attached units in established projects located in Florida are subject to more restrictive LTV ratio requirements under the Limited Review process. Newly built or newly converted condominium projects consisting of attached units are not eligible under the limited review process.

Limited Review for Attached Units in Established Condominium Projects in Florida	
Occupancy Type	**Maximum LTV/CLTV/HCLTV**
Principal residence	75%/90%/90%
Second home	70%/75%/75%
Investment property	70%/75%/75%

The lender must ensure the project and subject unit:
- Meet the eligibility requirements described in the requirements noted on the “Project Standards General Information” section of these guidelines and Fannie Mae Seller’s Guide Section B4-2.1-01;
- the project is not an ineligible project; and

- Does not consist of manufactured homes.

Important: If the project is eligible for the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type unless the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review.

PERS Approval is required for Florida Attached Units in New and Newly Converted Condominium Projects.

Limited Review Eligibility Requirements

- The attached condominium unit must be in an established project – refer to the Project Type section of these guidelines for the details of when a project is considered to be "Established".
- The project is not an ineligible project per FNMA and FLCBank guidelines.
- The project does not consist of manufactured homes.
- No more than 15% of the total number of units in the project are 60 days or more past due in the payment of each special assessment.

Note: If the project and loan transaction are eligible for and meet all the eligibility requirements of the Limited Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review. However, if the LTV, CLTV, or HCLTV ratios exceed the limits above, or in the event the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Limited Review, the lender must use one of the other project review methods to determine project eligibility and the project must meet all of the eligibility requirements of that selected alternate project review type.

Note: Effective with new DU loan submissions on or after June 23, 2025, loans eligible for Limited Review that receive a CPM Approved by Fannie Mae message in DU will retain the Approved by Fannie Mae status through the credit report expiration date specified on the DU Underwriting Findings report, unless the lender makes any changes to the CPM ID, project name, property address (state or zip code), or credit report; however, lenders remain responsible for verifying and documenting the project's compliance with all applicable insurance requirements regarding Property and Flood as well as Liability and Fidelity/Crime Insurance requirements (as applicable).

Refer to the Lender Full Review Process in these guidelines for additional requirements for loans that receive a **CPM Approved by Fannie Mae message in DU**.

CPM Status Designation

CPM is a web-based application that supports a lender's Full Review of a condo project by providing key project eligibility questions to assist the lender in determining whether the project meets Fannie Mae's eligibility requirements. CPM is also used to communicate eligibility decisions made by Fannie Mae.

Status Designation	Definition
Certified by Lender	Loans in the project are eligible for sale by the certifying lender prior to the expiration date.
Approved by Fannie Mae	Project has been approved by Fannie Mae, and loans may be sold with a valid and unexpired approval by any lender. This status may include projects approved through the PERS or other Fannie Mae approval processes.
Conditional Approval	Project has been approved by Fannie Mae through the PERS process subject to certain conditions being met. Loans in this project cannot be sold to Fannie Mae until an Approved by Fannie Mae status has been issued.
No Fannie Mae Review	Lender can certify the project or subject legal phase based on the Selling Guide requirements.
Unavailable	Project has been determined by Fannie Mae to be ineligible. Loans for units in this project cannot be sold to Fannie Mae.
Guide Ineligible	Based on information entered in CPM by the lender, loans in this project are not eligible for sale to Fannie Mae.
Incomplete Certification	Project has been entered into CPM, but the lender's certification process has not been completed. The required information must be entered into CPM for the lender to determine the project's eligibility.

CPM ID Delivery Requirements

Lenders are required to deliver the CPM ID number in the field for "FNM Condominium Project Manager Project Identifier" in ULDD for the following projects:

- Projects that require the use of CPM; or
- Fannie Mae-approved projects that are delivered as Type T for condos or PUDs.

Lenders should include the condominium's HOA or Project IRS Federal Tax Identification Number (TIN) in the loan file and in CPM.

CPM Delivery Restrictions Notifications

Project eligibility or loan-level restrictions will display in CPM and/or the DU Underwriting Findings report, when applicable. If the event that CPM displays a delivery restriction for a specific project, lenders must ensure the loan complies with the stated restrictions (even if the loan receives a CPM Approved by Fannie Mae message in DU).

For example, loans in some projects may be limited to certain occupancy types (such as principal residences only, or principal residences and second homes), or there may be limits on the LTV ratios.

CPM Approved by Fannie Mae Message in DU

Effective with new DU loan submissions on or after June 23, 2025, DU will now provide condo project information from Fannie Mae's Condo Project Manager in the Property and Appraisal Information section of the DU Underwriting Findings report.

Furthermore, the loan submitted to DU will retain its Fannie Mae project approval status through the credit report expiration date specified on the DU Underwriting Findings report, provided it receives both:

- An Approve/Eligible recommendation, and
- A message indicating the project has an Approved by Fannie Mae status in CPM.

As with any other projects with an Approved by Fannie Mae in CPM, the lender is still required to confirm compliance with all applicable insurance requirements regarding Property and Flood as well as Liability and Fidelity/Crime Insurance requirements (as applicable); therefore, the lender/loan originator is to submit the project insurances applicable documents to the Condo Review Department, refer to the Insurance Review for Projects with CPM Approved by Fannie Mae message in DU steps listed in these guidelines and follow the steps given.

DU will retrieve the project eligibility status if the project is approved by Fannie Mae as noted in CPM and DU will return the following Fannie Mae status messages:

- Approved by Fannie Mae: The message will specify that the project has an Approved by Fannie Mae status and that the lender must validate that the project and unit have the required insurance coverage.
  Note: Loans that receive a CPM Approved by Fannie Mae status message in DU will retain the Approved by Fannie Mae status up to the credit report expiration date specified on the DU Underwriting Findings report. If the lender changes the CPM ID, project name, address (state or zip code), or credit report in DU, the project eligibility status may change and result in the loss of the CPM Approved by Fannie Mae status message.
- PERS Required for new projects in Florida: The message will specify that the project is required to be submitted for consideration under the Project Eligibility Review Service (PERS) process and must have a valid Approved by Fannie Mae status in CPM as of the note date.
- Unavailable: The message will list the specific reason(s) the project has an Unavailable status in CPM. This project status will cause DU to issue an Ineligible recommendation.

If DU is unable to find the condominium approval in CPM, the following lender-specific status messages when there is no Fannie Mae decision in CPM:

- **Not Certified by Lender**: The message will indicate that a Full Review with a valid Certified by Lender status is required.
- **Certified by Lender**: The message will indicate that the lender currently has an active Certified by Lender status.
- **Guide Ineligible**: The message will indicate that the lender currently has a Guide Ineligible status for this project in CPM, and a Full Review with a valid Certified by Lender status is required.
- **Guide Ineligible and Certified by Lender**: The message will indicate that the lender currently has Certified by Lender and Guide Ineligible statuses for different phases in this project, and a Full Review with a valid Certified by Lender status for the project or subject phase is required.

Insurance Review for Projects with CPM Approved by Fannie Mae message in DU

The lender/loan originator is to submit to the Condo Review Department FLCBank's new Fannie Mae Approved Condominium Insurance Review form (applicable only to loans with a CPM Approved by Fannie Mae message in DU).

Condo Project – Insurance Review Steps:

1. The Lender/Loan Originator is to submit the completed new form attached (pages 1 and 2) to the Condo Review Department via email to reviews@condoreviews.com along with the DU findings report, the property insurance certificates, and the Flood Determination Certificate.
2. After the Condo Review Department reviews the documents and the answers to the questions on the second page, the Condo Review Department will sign the "Lender Conformation of Compliance" at the bottom of page 2 of the form, and will send the "Fannie Mae Approved Condominium Insurance Review" Form to the submitter via email along with a copy of the unexpired CPM Certification to the Lender/Loan Originator.

Additional Lender Obligations for Projects Approved by Fannie Mae in CPM

If a lender becomes aware of any information that could impact the eligibility status reflected in CPM (such as, significant deferred maintenance or major litigation), the lender must notify the CPM Management team via email at cpm_manage@fanniemae.com with the relevant data and information as soon as practicable but no later than five business days after becoming aware of such information. Also, before closing/selling a loan secured by a unit in such a project, the lender must confirm that the project retains its approved status as of the note date, unless a loan has received and retains a CPM Approved by Fannie Mae message in DU.

Fannie Mae reserves the right to change a project eligibility status designation if information acquired after approval or certification has an impact on a previously issued eligibility determination.

Note: All condo projects, excluding delegated transactions, must be reviewed and approved by the Condo Review Department in order to ensure requirements have been met.

CPM Unavailable Status

Loans secured by units in any project with a CPM status of "Unavailable" are ineligible, regardless of the project review process used.

Lender Full Project Review Process

A full lender project review is a review method on new and established condominium projects when the property is an attached unit. The lender must use Fannie Mae's Condo Project Manager (CPM) to ensure the project meets Fannie Mae's eligibility requirements. A copy of the unexpired CPM Certification must be included in the loan file. The Condo Review Department will perform the Lender Full Project Review. Important: Loans secured by units in any project with a CPM status of "Unavailable" are ineligible, regardless of the project review process used.

Required Documentation:
The Loan Originator must provide the Condo Review Department all the required documents and information needed in order to determine eligibility; the documentation needed may differ depending on the project and the review type:

- Legal documents including the covenants, conditions and restrictions, declaration of condominium or other similar documents that establish the legal structure of the project.
- Project budgets, financial statements and reserves studies (if applicable).
- Appraisal reports.
- The Flood Determination Certificate (to be printed by LO from FLCBank's LOS services tab)
- The 1008-Loan Transmittal/LT-92900-PUR/REF
- Evidence of insurance policies and related documentation.
- Project construction plans.
- Completion reports.
- Project marketing plans.
- Environmental hazard reports.
- Attorney opinions.
- Condominium Questionnaire.
- Additional items such as Meeting Minutes, Reserve Study, Inspection Reports, etc.

A Full Project Review is not permitted for projects consisting of the following characteristics and a PERS review is required – FLCBank will not submit projects for PERS review:

- New Condominium Projects consisting of Manufactured Homes.
- Established Condominium or PUD projects consisting of Manufactured Homes that are subject to a community land trust, deed restriction, and leasehold estate, or shared equity arrangement.
- Co-op projects consisting of Manufactured Homes.
- PUD and Condominiums projects consisting of single-wide Manufactured Homes.
- Newly Converted non-gut rehabilitation condominium and co-op projects that contain more than four units.
- New or newly converted Condominium Projects consisting of attached units in Florida.
- Limited or shared equity co-op projects provided the limited shared equity provisions are designed to preserve or promote access to affordable housing.

Note: FLCBank does not provide financing to co-op projects or manufactured homes.

Eligibility for Full Lender Review Requirements:

- The project must be an established project or a new project (new projects in Florida are not eligible for Full Lender Review). Refer to the Project Type section of these guidelines for the details of when a project is considered to be "Established and New" Projects.

- The project is not an ineligible project per FNMA and FLCBank guidelines.
- The project does not consist of manufactured homes.
- No more than 15% of the total units in a project may be 60 days or more past due HOA fees a/k/a common expense assessments.
- No more than 15% of the total units in the project are 60 days or more past due in the payment of each special assessment.
- The HOA's budget must be reviewed in order for the lender to determine that it is adequate and provides for the funding of replacement reserves for capital expenditures and deferred maintenance that is at least 10% of the budget.
  To determine whether the association has a minimum annual budgeted replacement reserve allocation of 10%, the lender must divide the annual budgeted replacement reserve allocation by the association's annual budgeted assessment income (which includes regular common expense fees). The lender may use a reserve study in lieu of calculating the replacement reserves of 10%
  The following types of income may be excluded from the reserve calculation:
    - Incidental income on which the project does not rely for ongoing operations, maintenance or capital improvements;
    - Income collected for utilities that would typically be paid by individual unit owners, such as cable TV or internet access;
    - Income allocated to reserve accounts; and
    - Special assessment income.
- For projects in which the units are not separately metered for utilities, the lender must determine if having multiple units on a single meter is common and customary in the local market; and confirm that the project budget includes adequate funding for utility payments.
- The project must be located on contiguous parcels of land. It is acceptable for a project to be divided by public or private streets.
- The structures within the project must be within a reasonable distance from each other.
- Common elements and facilities such as recreational facilities and parking must be consistent with the nature of the project and competitive in the marketplace.
- Unit owners in the project must have sole ownership interest in and rights to the use of the project's facilities, common elements, and limited common elements, except as noted below:
    - Shared amenities such as clubhouses, recreational or fitness facilities and swimming pools are permitted only when two or more HOAs share amenities for the exclusive use of the unit owners. The associations must have an agreement in place governing the arrangement for shared amenities that includes the following:
        - A description of the shared amenities subject to the arrangement;
        - A description of the terms under which unit owners in the project may use the shared amenities;
        - Provisions for the funding, management, and upkeep of the shared amenities; and
        - Provisions to resolve conflicts between the associations over the amenities.

      Note: The developer may not retain any ownership interest in any of the facilities related to the project. The amenities including the parking and recreational facilities may not be subject to a lease between the unit owners or the HOA and another party.

Parking amenities under commercial leases or parking permit arrangements with parties unrelated to the developer are acceptable.

- It is permissible to finance a single or multiple parking spaces with the mortgage provided that the parking space and the subject unit are included on one deed as evidence on the legal description in the mortgage and the LTV/CLTV/HCLTV will be based on the combined value of the residential condominium unit and the parking space(s).
- Phase I and II environmental hazard assessments are not required unless the lender identifies an environmental problem during the project review.
- For investment property transactions in established projects, at least 50% of the total units in the project must be conveyed to principal residence or second home purchasers. Financial institution owned REO units that are for sale (not rented) are considered owner-occupied when calculating the 50% owner occupancy requirement.
  The percentage of conveyance requirement does not apply if the transaction is for a primary residence of second home mortgage.
- If the project was a gut rehabilitation project, all the work involved in the condominium conversion must have been completed in a professional manner. For a conversion that was legally created during the past three years, the architect's or engineer's report or equivalent that was originally obtained for the conversion must comment favorably on the structural integrity of the project and the condition and remaining useful life of the major project components, such as the heating and cooling systems, plumbing, electrical systems, elevators, boilers, roof, etc.
  Note: Newly converted non-gut rehabilitation project with more than four residential units must be submitted to Fannie Mae for PERS review and approval. FLCBank will not submit a project to Fannie Mae for PERS for the Loan Originator.

<u>Additional Requirements for Full Lender Review for Units in a New or Newly Converted Condominium Project:</u>

- The project, or the subject legal phase, must be "substantially complete". "Substantially complete" means that: a certificate of occupancy or other substantially similar document has been issued by the applicable governmental agency for the project or subject phase; and all the units and buildings in the legal phase in which the unit securing the mortgage is located are complete, subject to the installation of buyer selection items, such as appliances.
- There may not be more than one legal phase per building.
- At least 50% of the total units in the project or subject legal phase must have been conveyed or be under contract for sale to principal residence or second home purchasers.
- The unit must be available for immediate occupancy at the time of loan closing.
- If the project is part of a larger development, and the unit owners are required to pay monthly assessments of more than $50 to a separate master association for that development, lenders must review the overall development plan for the master association to evaluate the acceptability of the project.
- The overall development plan of the project must be reviewed, and the following must be acceptable:
  - Consistency of future and existing improvements,
  - Time limitations for expansion, and
  - Reciprocal easements between legal phases.

- For projects (or the subject legal phase) that are only substantially complete rather than 100% complete, lenders must determine that acceptable completion assurance arrangements that guarantee the future completion of all project facilities, common elements, and limited common elements have been provided. These assurance arrangements may include: cash deposits, letters of credit, assignment of certificates of deposit, or assignments of other assets that can be easily converted to cash.
  Similar arrangements must be provided to support assurances against construction and structural defects. The assurances must protect each unit against defects that become apparent within one year from the date of its settlement and cover all common facilities for one year from the date on which units that represent at least 60% of the votes in the HOA have been transferred.
- The developer or sponsor should provide for and promote the unit owner's early participation in the management of the project.
- The project must also meet the project legal document requirements for Units in New or Newly Converted Projects per Fannie Mae's Seller's Guide Section B4-2.2

Florida Attached Condominium Considerations

- Attached Units located in New and Newly Converted Condominium Projects in Florida require PERS approval. FLCBank will not submit the project to Fannie Mae for PERS approval.
- Attached Units located in Established Projects in Florida are eligible for Lender Full Review or Limited Review based on the LTV of the mortgage transaction.

Project Review for Attached Units in Established Condominium Projects in Florida		
Occupancy Type	**Maximum LTV/CLTV/HCLTV*** **Lender Full Review with CPM**	**Maximum LTV/CLTV/HCLTV** **Limited Review**
Principal residence	97%	75%/90%/90%
Second home	90%	70%/75%/75%
Investment property	85%	70%/75%/75%
*Maximum CLTV/HCLTV up to 105% if subordinate financing is an Affordable Second Mortgage (Affordable Second Mortgages are only permitted in the Retail Channel)		

FHA Reciprocal Approval

Condominium Unit is located in an existing project that appears on the FHA condominium approved project list are acceptable to Fannie Mae for delivery when the approval was completed by FHA HUD Review and Approval Process (HRAP) rather than through an FHA Direct Endorsement Lender Review and Approval Process (DELRAP). FHA condominium project approval is not acceptable when the unit is located in a new or newly converted condominium project.

Project Requirements

The lender must ensure that the project: is an established project; it is not comprised of manufactured homes; is not an ineligible project per Seller's Guide B4-2.1-03 and it meets Project Standards described in Seller's Guides B4-2.1-01; furthermore, the lender must retain a copy of the FHA approval documentation in the loan file and ensure any conditions listed on the FHA approval are met.
Lenders may search for FHA condominium approval by location, name, or project status online at FHA Approved Condominiums

Freddie Mac Projects

Project Eligibility

Freddie Mac's Condominium Project Eligibility has two components: General Condominium Project Eligibility and Eligibility for Project Review Type. The project review type differs depending on the characteristics of the project.

When applicable, Freddie Mac's Project Certified status Project Assessment Requests (PARs), offer flexibility and simplicity to your processes.

Freddie Mac requires the unit located in a condominium project to meet one of the project review types available:

- Streamline Reviews
- Established Condominium Projects
- New Condominium Projects
- Detached Condominium Projects
- Reciprocal Project Reviews

Project Types

I. **Established Condominium Project:**
   A project is considered to be "established" when it meets the requirements below:
   - All units, common elements and amenities in the project and related facilities owned by any master association are complete and not subject to any additional phasing;
   - At least 75% of the total units have been conveyed to the unit purchases; and
   - The unit owners control the HOA.

II. **New Condominium Project**
   A new condominium project is one in which:
   - All units, common elements, and amenities in the project and related facilities owned by any master association are not complete, or subject to additional phasing.
   - Fewer than 75% of the total number of units in the project must have been conveyed to the unit purchasers.

III. **Detached Condominium Project**
   A project comprised only of detached units.

IV. **Detached Condominium Unit**
   A Condominium Unit that is completely detached from any other unit in a Condominium Project. A Detached Condominium Unit can be in a Detached Condominium Project or in Project that contains a mixture of attached, detached and/or semi-attached units.

V. **2 to 4 Unit Condominium Project:**
   A 2-to-4-unit condominium project can be new or established and may be comprised of attached and/or detached units. The units may also be a mixture of residential units and no more than one commercial unit.

Project Review Requirements

Project Type	Project Review Requirements
Streamline Review for Established Projects	Based on the LTV/CLTV/HCLTV, occupancy, and location, a Streamline Review can be performed when the unit is located in an established condominium project and when condominium project does not have ineligible characteristics as set forth on Guide Section 5701.3 including projects that are in need of critical repairs, have material deficiencies or items of significant deferred maintenance. Also, no more than 15% of the total units in a project are 60 days or more past due in the payment of each special assessment. The Streamline Project Review must be dated within one year prior to the Note date.
Established Condominium Project // Full Lender Review	A lender review is necessary when the requirements for a Streamline Review cannot be met. Established condominium project must meet the eligibility requirements noted below: • The Established Project Review must be dated within one year prior to the Note date. • The project meets the definition of an established condominium project. • The lender review must be performed within one year of the Note date. • All units, common elements, and amenities must be complete. • There must not be any manufactured homes in the project. • If the borrower occupies the unit as a primary residence or second home, there is no owner-occupancy requirement for the condominium project. • If the property is investment, at least 50% of the total units in the project must be occupied as primary residence and second home. • The project's operating budget must be consistent with the nature of the project, appropriate assessments must be established to manage the project, there must be adequate funding for insurance deductible amounts, at least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project’s age, estimated remaining life and replacement cost of major common elements. See Guide Section 5701.5(c) for more information. • No more than 15% of the total number of units in a project is 60 or more days delinquent on the payment of their HOA assessments. The condominium project does not have ineligible characteristics set forth in Guide Section 5701.3. This includes projects in need of critical repairs and projects with evacuation orders. Also, no more than 15% of the total units in a project are 60 days or more past due in the payment of each special assessment.

New Condominium Project // Full Lender Review	A lender review is necessary to ensure the new condominium project meets the following requirements: • The New Condominium Project Review must be dated within 180 days prior to the Note date. • For owner occupancy requirements. • Project Completion. • Budget Requirements. • Delinquent Assessments for new condominium projects. • There are no manufactured homes in the new project. • Limitations on Right of first refusal. • Requirements when a seller relies on contributions to a working capital fund for new condominium projects. • The new condominium project must meet the requirements in Guide Section 5701.6.
Detached Condominium Project // Exempt from Review	A lender review is not required on Detached Condominium Unit when the detached condominium project does not include manufactured homes.
Reciprocal Project Review	Freddie Mae accepts reciprocal project reviews from any of the following reviews: • Fannie Mae Final Project Approval through PERS. • The lender has approved the project through a "Lender Full Review" per Fannie Mae with Condo Project Manager (CPM) project acceptance certification and the terms and conditions on the approval have not expired, been rescinded or modified in any way. • FHA HRAP Approved Projects are acceptable to Freddie Mac only when the lender provides documentation that the Condominium Unit is located in a project approved by FHA, all FHA approval conditions noted on the FHA website are met, the FHA condominium approval has not yet expired, has not been rescinded or modified in any way; the lender is not aware of any circumstances that would make the project ineligible for approval and the file contains a copy of the FHA approved status. Lenders may search for FHA condominium approval by location, name, or project status online at FHA Approved Condominiums Reference FHLMC Section 5701.9 for additional information

Project Review Exemption Requirements

Project/Transaction Type	Requirement
Detached Condominium Unit	• A lender review is not required on Detached Condominium Unit when the detached condominium project does not include manufactured homes. • The Detached Condominium unit can be in a Detached Condominium Project or in a Condominium Project that contains a mixture of attached, detached and/or semi-detached units.
Unit in a 2-4 Unit Condominium Project	A lender review is not required on the 2-4 Units Condominium Project. The project does not include manufactured homes.
Freddie Mac owned or securitized "No Cash-Out Refinance", or a Refi Possible	The lender does not need to perform a project review when the transaction is a "No Cash-Out Refinance" paying off a mortgage owned or securitized by Freddie Mac and the following requirements are met: • The maximum LTV/TLTV/HTLTV ratio is 80%; • The project has the required project-related property and flood insurance coverage; and • The project is not a condo hotel or motel, houseboat project, or a timeshare or segmented ownership project (this can be confirmed on the appraisal) • The loan originator/lender can verify that the existing first mortgage is owned or securitized by Freddie Mac's in the following loan Lookup Tool at https://ww3.freddiemac.com/loanlookup/ • For attached projects consisting in five or more units, confirm there are no unaddressed critical repairs outstanding or projects with evacuation orders [described in Ineligible Projects in these guides and in FHLMC Sections 5701.3(n), 5701.3(o) and 5701.7(a)] Note: Special delivery requirements for ULDD data point must be entered in the selling system per Seller's Guide Section 6302.16(b)(ii).
Unit in a PUD Project	Freddie Mac does not require a PUD review to be performed; however, the lender must determine if the PUD meets the following requirements: • Each unit owner holds title to the lot and the improvements on the lot and the association holds title to the common elements. The unit owners have a right to use the common elements and pay a fee for the association to maintain them for their benefit. • For PUD insurance requirements, see FLCBank Hazard Guides posted in the Resource Center.
The general project requirements in FHLMC Section 5701.2(b) apply and the meet all requirements below: - The property must meet all applicable appraisal requirements (when an appraisal is required), property eligibility requirements, and all insurance requirements and provisions. - The project cannot be a condo hotel, motel, houseboat project, a timeshare or a segmented ownership project. Project cannot include Manufactured Homes unless the loan is for a Refi Possible Mortgage. - Meet Freddie Mac's priority of common expense assessments. - All insurance requirements and provisions are met.	

Ineligible Projects and/or Characteristics

Condominium units located in any of the following types of projects are not eligible to Freddie Mac:

- Any project required to be registered with the U.S. Securities and Exchange Commission or any State securities agency regardless of the project type.
- A condominium hotel or a project that is operated and managed as a commercial hotel, or similar type of transient housing, even though the units are individually owned. Projects that have one or more of the following characteristics are considered condominium hotels and are ineligible:
  - Projects that include hotel type services and characteristics such as registration services, rentals of units on a daily basis, room service, luggage/porter services, daily cleaning services, central phone service, central key systems and restrictions on interior decorating.
  - Projects with mandatory or voluntary rental-pooling and revenue-sharing agreements or similar agreements that restrict the unit owner's ability to occupy the unit. These agreements may provide restrictions on the unit owner's use such as blackout dates and occupancy limits, thereby providing a ready supply of units for rent and a revenue share to the unit owners from the rental of the units.
  - Projects and/or HOAs that are licensed, have a permit to operate, or are registered as a hotel or a motel, even though the units may be individually owned.
  - Project and/or HOAs that are licensed or have a designated licensed agent, have a permit to operate or are registered as a type of transient housing i.e. vacation rental license, shot term rental registrants, etc. for the rental of non-HOA owned units.
  - Projects with revenue-sharing agreements between unit owners and the HOA, property management and/or rental operator contracted by the HOA or property management.
- Condominium Projects that are conversions of a hotel or a conversion of a similar type of transient housing unless the project was a Gut Rehabilitation, and the resulting Condominium Units no longer have the characteristics of a hotel or similar type of transient housing.
- Projects with names that include the words "hotel," "motel," "inn," "lodge" or a branded hotel chain or name unless the project does not have the characteristics of a hotel or similar type of transient housing.
- Projects where the unit is in a building that functions like a traditional condominium, yet the project contains additional resort type amenities or other buildings with resort type amenities such as lobby for the operation of an on-site rental operator free of charge to that rental operator; unit owners are required through the project documents or other contractual agreement to use a specific rental agency/agency for their transient rentals.
- A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit (multi-dwelling units).
- A project in which more than 35% of the total above and below grade square footage of the project, or more than 35% of the total above and below grade square footage of the building in which the project is located is used as commercial or non-residential space.
- A tenancy-in-common apartment project is owned by several owners as tenants-in-common or by a Homeowners Association (HOA). Individuals have an undivided interest in the residential apartment building including the units and land on which the building is located and may or may not have the right of exclusive occupancy of a specific apartment unit in the building.
- Timeshare project or project with segmented ownership.
- Houseboat project.

- A Project that shares amenities with one or more other residential projects is eligible if the projects share the amenities (such as recreational or fitness facilities, swimming pools, and clubhouses) for the sole use of the unit owners and shareholders, if applicable. The term “residential projects” includes only residential Condominium Projects and Planned Unit Developments (PUDs). The residential Projects must have an agreement specifying:
  - A description of the shared Amenities and the terms of the unit owners’ and shareholders’ permitted use of the shared Amenities
  - How the shared Amenities will be funded, managed, and maintained, and
  - The method for resolving disputes between the projects regarding the shared Amenities.
- Project in which the HOA, or the project sponsor or developer is party to a litigation, a pending litigation, or an alternative dispute resolution (ADR) proceeding that relates to the safety, structural soundness, functional use, or habitation of the project. If the lender determines that the reason for the pending litigation involves minor matters that do not affect the safety, structural soundness, functional use or habitability of the project, the project is eligible if the litigation is limited to one of the following:
  - The litigation amount is known, the insurance company has committed to provide the defense and the litigation amount is covered by the insurance policy.
  - The litigation amount is unknown; the lender has obtained a copy of the complaint, or the most recent amended complaint, and with an attorney letter that supports the lender’s determination that the litigation involves minor matters. The attorney letter must state:
    - The reason for the litigation;
    - That the insurance company has committed to provide the defense; and
    - That any potential monetary judgment against the HOA, or settlement with the HOA, including punitive damages, will likely be covered by the HOA’s insurance policy. If the attorney indicates the matter will not likely be covered by the HOA’s insurance policy, then the project is ineligible.
  - If the matter involves non-monetary neighbor dispute or right of quiet enjoyment, or the HOA is the plaintiff in a foreclosure action or action for past due HOA assessments, or the HOA is the plaintiff in the litigation seeking reimbursement for expenditures made to repair the project’s components which may have included items that related to the safety, structural soundness, functional use or habitability of the project, the repair permanently resolved the defect or issue and the expenditures did not significantly impact the financial stability or future solvency of the HOA.
  - The valid estimation of or known litigation amount is not expected to exceed 10% of the project’s funded reserves, provided that this does not violate the applicable jurisdiction’s laws and regulations.
- New project sold with excessive seller contributions: A new Condominium Project where the builder, developer or property seller is offering financing or sale arrangements for Condominium Unit Mortgages such as:
  - Rent-backs or leasebacks,
  - Payments of principal, interest, taxes and insurance (PITI), or
  - HOA assessments that exceed limitations of interested party contributions, and
  - Undisclosed contributions not disclosed in the Settlement/Closing Disclosure Statement.
- Project with excessive single investor concentration (the same individual, investor group,

partnership, or corporation) owns more than the following total number of units in the project:
- 5 to 20 units – 2 units
- 21 or more units – 25%*

Note: Vacant units being actively marketed by the developer are not included in the calculation of the developer's percentage of ownership. Any units leased by the developer must be included in the calculation of the developer's percentage of ownership.

- Continuing Care Retirement Community (CCRC) are distinguished from age-restricted communities in that residents in CCRCs contract in advance for a lifetime commitment from the facility to care for them, regardless of the future health or housing needs.
- Manufactured Homes.
- New Condominium Projects in Florida except when approved through Fannie Mae PERS process.
- Projects with mandatory dues or similar membership fees for use of amenities such as clubhouses or recreational facilities:
  - Projects with mandatory dues or similar membership fees, including initiation or joining fees, which allow for the use of Amenities such as clubhouses or recreational facilities are ineligible unless the HOA and/or Master Association solely own the Amenities and Condominium Unit owners within the HOA or Master Association are the only persons or entities eligible for membership. Full rights and privileges to the use of these Amenities are the primary benefit of membership.
- A project with an evacuation order due to an unsafe condition, either for a partial or total evacuation of the project's building(s), is ineligible until the unsafe condition has been remediated and the building(s) is deemed safe for occupancy.
- Projects in need of critical repairs are those needing repairs or replacements that significantly impact the safety, soundness, structural integrity or habitability of the project's building(s), or the financial viability or marketability of the project. Critical repairs include conditions such as:
  - Material deficiencies, which if left uncorrected, have the potential to result in or contribute to critical element or system failure within one year;
  - any mold, water intrusions or potentially damaging leaks to the project's building(s).
  - Advanced physical deterioration.
  - Any project that failed to pass state, county, or other jurisdictional mandatory inspections or certifications specific to structural safety, soundness, and habitability; or
  - Any unfunded repairs costing more than $10,000 per unit must be undertaken within the next 12 months (does not include repairs made by the unit owner or repairs funded through a special assessment).

    Examples of Critical Repair/Deferred Maintenance items to consider include, but are not limited to, sea walls, elevators, waterproofing, stairwells, balconies, foundation, electrical systems, parking structures or other load-bearing structures. If damage or deferred maintenance is isolated to one or a few units and does not affect the overall safety, soundness, structural integrity, or habitability of the project, then these requirements do not apply.
    Routine repairs are not considered to be critical and include work that is:
    Preventative in nature or part of normal capital replacements (for example, focused on keeping the project fully functioning and serviceable); and accomplished within the project's normal operating budget or through special assessments that are within guidelines.

- Special Assessments must be reviewed by the Lender to determine acceptability by obtaining information for each special assessment to determine if it addresses a critical repair:
    - What is the reason for the special assessment,
    - When was the special assessment approved and is it planned (approved by the unit owners, but not yet initiated by the board) or already being executed,
    - what was the original amount of the special assessment and the remaining amount to be collected, and
    - When is the expected date the special assessment will be paid in full.
    - Documentation to support no negative impact to the financial stability, viability, condition, and marketability of the project; and the payment for the special assessment must be included in the DTI.

  If the special assessment is associated with a critical repair and the issue is not remediated, the project is ineligible.
- Inspection Reports: If a structural and/or mechanical inspection was completed within 3 years of the lender's project review date, the lender must obtain and review the inspection report. The report cannot indicate that any critical repairs are needed, no evacuation orders are in effect, and no regulatory actions are required.

  If the inspection report indicates there are unaddressed critical repairs, the project is ineligible until the required repairs have been completed and documented accordingly. The lender must review an engineer's report or substantially similar document to determine if the repairs completed have resolved the safety, soundness, structural integrity, or habitability concerns of the project.
- Additional Documentation Review: Lenders may need to review a combination of documents to determine if a project meets Freddie Mac's physical condition requirements and Lenders are responsible for determining which documents are needed to ensure compliance with the requirements. Some examples of this documentation include, but are not limited to:
    - HOA board meeting minutes,
    - Engineer report(s),
    - Structural and/or mechanical inspection reports,
    - Reserve studies,
    - A list of necessary repairs provided by the HOA or the project's management company,
    - A list of special assessments provided by the HOA or the project's management company, and
    - Other substantially similar documentation.

Important: Condominium Projects with short-term rentals may be eligible if the lender fully analyzes all the characteristics of the project through a full lender review and determines the project IS NOT a Condominium Hotel, or transients housing as described in this section.

Streamline Review Process and Transactions Eligible

A Streamline Review process allows the lender to evaluate and approve condominium projects with minimal documentation so long the unit is located in an Established Condominium Project and there are no manufactured homes in the project.

Streamline Review for Attached Units in Established Condominium Projects **Outside of Florida**	
Occupancy Type	**Maximum LTV/TLTV/HTLTV**
Principal residence	≤ 90%
Second home	≤ 75%
Investment property	≤ 75%

Attached units in established projects located in Florida are subject to more restrictive LTV ratio requirements under the Limited Review process. Newly built or newly converted condominium projects consisting of attached units are not eligible under the limited review process.

Streamline Review for Attached Units in Established Condominium Projects **in Florida**	
Occupancy Type	**Maximum LTV/TLTV/HTLTV**
Principal residence	75/90/90%
Second home	70/75/75%
Investment property	70/75/75%

Eligibility for Streamline Review requires the lender must ensure the project and subject unit:

- Meet the eligibility requirements described in the requirements noted on the "Established Condominium Project" section of these guidelines and Freddie Mac's Seller's Guide Section 5701.4; and
- Does not consist of manufactured homes.

Important: If the project is eligible for the Streamline Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review type unless the lender becomes aware of a circumstance that would cause the project or transaction to be ineligible under a Streamline Review.

PERS Approval is required for Florida Attached Units in New and Newly Converted Condominium Projects.

Streamline Review Eligibility Requirements

- The attached condominium unit must be in an established project – refer to the Project Type section of these guidelines for the details of when a project is considered to be "Established".
- The project is not an ineligible project per FHLMC and FLCBank guidelines.
- The project does not consist of manufactured homes.
- No more than 15% of the total number of units in the project are 60 days or more past due in the payment of each special assessment.

Note: If the project and loan transaction are eligible for and meet all the eligibility requirements of the Streamline Review process, the lender is not required to validate that the project also meets the eligibility requirements of another project review as noted in FHLMC Sections 5701.5, 5701.6, 5701.7 and 5701.9.

Condo Project Advisor – Project Assessment Request (PAR) Designation

Project Assessment Request (PAR) is a web-based application that supports a lender's Full Review of an established condo project by providing key project eligibility questions to assist the lender in determining whether the project meets Freddie Mac's eligibility requirements. Condo Project Advisor, accessible through Freddie Mac Loan Advisor, allows authorized lenders to submit a Project Assessment Request (PAR) to obtain feedback (referred to as the PAR findings) regarding a condominium project's compliance with the project review requirements assessed by Condo Project Advisor. A condominium project's PAR findings are also available in Loan Product Advisor when Condo Project Advisor identifies the property address submitted in Loan Product Advisor and the project has a PAR status assigned.
In order for a mortgage to be eligible for PAR approval designation, the unit must be located in an Established Condominium Project using Loan Product Advisor as the AUS approval engine that is not found to be "Not Eligible" status in PAR.

The Condo Review team will determine when to submit the eligible loan through Condo Project Advisor via Freddie Mac's Loan Advisor Suite. The PAR findings will be identified only when the mortgage is identified on the Condo Project Advisor Feedback Certificate or the Last Feedback Certificate, as such, and is not applicable to any other mortgage secured by a condominium unit located in the same condominium project.
Note: The Condo Project Advisor Feedback Certificate is the printed or printable document returned by Condo Project Advisor that details the Project Assessment Request (PAR) findings.

Status Designation	Definition
Project Certified Status	If Condo Project Advisor finds that the Condominium Project complies with all requirements assessed for this status, Condo Project Advisor will assign a "Project Certified" status to the project. The term "Project Certified" means that Condo Project Advisor is assessing only the requirements of the Glossary definition of an Established Condominium Project.
Green Status	If Condo Project Advisor finds that the Condominium Project complies with all the requirements assessed for this status; Condo Project Advisor will assign a "Green" status to the project. Important: Green PAR results do not remove any requirements or reduce documentation required from the project review.

Yellow Status	If Condo Project Advisor finds that the Condominium Project does not comply with one or more of the requirements assessed, Condo Project Advisor will assign a "Yellow" status to the project. The Condo Project Advisor Feedback Certificate will include a "Proceed with Caution" section with messages relating to requirements that need to be addressed before the Mortgage can be sold to Freddie Mac. If one of the messages indicates that the project may not be an Established Condominium Project, the Lender must first determine that the project complies with that requirement. If Lender determines that the project is an Established Condominium Project, fully analyzes the project review and general eligibility requirements identified on the Condo Project Advisor Feedback Certificate and determines that the project complies with the requirement(s), the related Condominium Unit Mortgage may be eligible for sale to Freddie Mac. If yellow results are returned from PAR, additional documentation may be required.
Incomplete Status	If Condo Project Advisor is unable to perform the assessment, Condo Project Advisor will assign an "Incomplete Assessment" status to the Condominium Project. A Mortgage secured by a Condominium Unit in a Condominium Project with an "Incomplete Assessment" status may be eligible for sale to Freddie Mac if all project review requirements are fully analyzed and determines the project complies with all the requirements.
Not Eligible Status	If Condo Project Advisor finds that a Condominium Project does not meet certain Condominium Project review and general eligibility requirements, Condo Project Advisor will assign a "Not Eligible" status to the project. Mortgages secured by a Condominium Unit in a Condominium Project that receive this status are ineligible for sale and will be identified as such in Output of Condo Project Advisor and Loan Product Advisor. A Condominium Project without a "Not Eligible" status does not mean that the project complies with all of Freddie Mac's project review and general eligibility requirements or that Freddie Mac will purchase any Mortgage secured by a Condominium Unit in that project. For a Condominium Project without a "Not Eligible" status, the Lendr must ensure compliance with all applicable requirements in this Chapter and all other requirements of the Purchase Documents.

Additional Lender Obligations for Projects Certified or Reviewed by PAR

The Loan Originator/Lender is responsible for ensuring compliance with the project review requirements specified in the last PAR findings; furthermore, if the Loan Originator/Lender (or a third-party) becomes aware of any information that could impact the eligibility status reflected in PAR, including Not Eligible (such as transient housing, significant deferred maintenance or major litigation), notification must be provided to Freddie Mac at ProjectInfo@FreddieMac.com with the relevant data and information as soon as possible bur no later than five business days after becoming aware of such information Freddie Mac will evaluate the new information and its impact on eligibility.

Freddie Mac reserves the right to change a project eligibility status designation if information acquired after approval or certification has an impact on a previously issued eligibility determination.

Note: All condo projects, excluding delegated transactions, must be reviewed and approved by the Condo Review Department in order to ensure requirements have been met.

Condo Project Advisor Project Assessment Eligibility	
Project Type and Loan Using LPA	**Project Requirements**
Project Types	• Established Condominium Project
Ineligible Projects	• Condominium hotel or similar type of transient housing • Project with multi-dwelling units • Project with excessive commercial or non-residential space • Tenancy-in-common apartment project • Timeshare project or project with segmented ownership • Houseboat project • Project in which the unit owners do not possess sole ownership of the common elements • Project with excessive single investor concentration • Continuing Care Retirement Community (CCRC) • Manufactured homes • Condominium projects that contain manufactured homes are ineligible. • Project with mandatory dues or similar membership fees for use of amenities such as clubhouses or recreational facilities
Because Condo Project Advisor does not assess the following project review and general eligibility requirements: Streamlined Review and Established Condominium Projects that receive a Green or Yellow. Also, it cannot assess project in litigation or in need of critical repairs or with an evacuation order or projects with delinquent assessment, owner occupancy, etc. a condominium that receives as PAR certified status still requires a lender full project review.	

Lender Full Project Review Process
Established Projects
If the lender confirms that a condominium unit is located in an Established Project that meets the following requirements in FHLMC Section 5701.2, no further review needs to be performed by the lender.

- An established condominium project is one in which:
  - The Condominium Project (all Condominium Units, Common Elements and Amenities) and related facilities owned by any Master Association are complete and not subject to any additional phasing;
  - At least 90% of the total units have been conveyed to the unit purchases; and
  - The unit owners control the HOA.
- All units, Common Elements and Amenities must be complete.
- There must not be any Manufactured Home in the established condominium project.
- Owner Occupancy requirements:
  - If the property will be used as a Primary Residence or second home, there is no owner occupancy requirement for the Condominium Project
  - If the property will be used as an Investment Property:
    - At least 50% of the total number of Condominium Units in the Condominium Project must have been conveyed to purchasers who occupy their units as a Primary Residence or second home.
- The Project's budget must be consistent with the nature of the project and:
  - There must be appropriate allocations for line items pertinent to the type and status of the Condominium Project,
  - There must be adequate funding for insurance deductible amounts,
  - At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project's age, estimated remaining life and replacement cost of major Common Elements. The replacement reserve is determined by dividing the annual budgeted replacement reserve allocation by the HOA's annual budgeted assessment income (including regular common expense fees). The calculation may exclude special assessment income, income allocated to or in reserve accounts, incidental income not relied upon for maintenance operations or capital improvements and amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access.
- The lender may rely on a reserve study instead of the project budget providing a replacement reserve of at least 10% provided the conditions in section 5701.5(f) of Freddie Mac's Seller's guide are met.
- No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments.
- No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of each special assessment.

New Condominium Project Review Process

A new condominium project is one in which:

- All units, common elements, and amenities in the project and related facilities owned by any master association are not complete, or subject to additional phasing.
- Fewer than 90% of the total number of units in the project must have been conveyed to the unit purchasers, or
- The developer has not turned control of the HOA over to the unit owners.

A new Condominium Project must comply with all of the following requirements:

- Project Completion Requirements:
  - The subject legal phase (or the subject building) and any prior legal phases in which units have been offered for sale are substantially complete. “Substantially complete” indicates that the Common Elements are complete, and the units are complete subject to the selection of buyer preference items.
- There must not be any Manufactured Homes in the New Condominium Project.
- Owner-occupancy requirements for New Condominium Projects:
  - At least 50% of the total units in the project or at least 50% of the sum of the subject legal phase and prior legal phases must have been conveyed or must be under contract to purchasers who will occupy the units as their Primary Residences or second homes.
- Project budget requirement for New Condominium Projects: The HOA assessments must begin once the developer has ceased to pay operating expenses attributable to the Condominium Project, whether or not all units have been sold. When any unit owner other than the developer pays assessments, the developer must pay the assessments attributable to the unsold units. The project’s budget (or its projected budget if the project has not been turned over to the unit owners) must be consistent with the nature of the project and appropriate assessments must be established to manage the project.
  - At least 10% of the budget must provide funding for replacement reserves for capital expenditures and deferred maintenance based on the project’s age, estimated remaining life and replacement cost of major Common Elements. The replacement reserve is determined by dividing the annual budgeted replacement reserve allocation by the HOA’s annual budgeted assessment income (including regular common expense fees). The calculation may exclude special assessment income, income allocated to or in reserve accounts, incidental income not relied upon for maintenance operations or capital improvements and amounts collected from unit owners (but usually paid individually by them) for items or utilities such as internet access.
  - If the budget does not provide a replacement reserve of at least 10%, the lender may rely on either: a reserve study, or contributions to a working capital fund. These contributions can be in addition to or in lieu of any working capital fund contributions made by the developer in the case of a recently converted project.
    Important: See Freddie Mac Seller’s Guide Section 5701.6(l) and 5701.6(o) for additional requirements.
- Delinquent assessments for New Condominium Projects: No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of their HOA assessments.
- No more than 15% of the total number of units in a project are 60 or more days delinquent in the payment of each special assessment.
- The Condominium Project has been created and exists in full compliance with the applicable

State law, the requirements of the jurisdiction in which the Condominium Project is located, and with all other applicable laws and regulations governing creation of the Condominium Project.

- Limitations on ability to sell/right of first refusal: Any right of first refusal in the Project documents will not adversely impact the rights of a lender or its assignee to:
    - Foreclose or take title to a Condominium Unit pursuant to the remedies in the Mortgage,
    - Accept a deed or assignment in lieu of foreclosure in the event of default by a mortgagor,
      Or
    - Sell or lease a unit acquired by the mortgagee or its assignee.
- For a Condominium Project that was created by conversion of a building(s) with a prior use the following requirements must be met for the Lender's review and determination of project eligibility:
    - For a conversion involving a Non-Gut Rehabilitation of a prior use of the building that was legally created within the past three years, the engineer's report (or functionally equivalent documentation for jurisdictions that do not require an engineer's report) must state that the project is structurally sound, the condition and remaining useful life of the major project components are sufficient to meet the residential needs of the project, and that there is no evidence that any of these conditions have not been met. Major components include the roof, elevators and mechanical systems such as HVAC, plumbing and electricity.
    - All rehabilitation work involved in the conversion (Non-Gut Rehabilitation and Gut Rehabilitation) must be completed in a professional manner.
    - A review of the engineer's report (or functionally equivalent documentation) is not required for conversions involving:
        - A gut-rehabilitation, and
        - Non-gut rehabilitation if more than three years have elapsed since the legal creation of the project.
- Mortgagee/Lender consent:
    1. The Project Documents or applicable State law must provide that amendments of a material adverse nature to First Lien mortgagees be agreed to by mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) subject to First Lien Mortgages.
    2. The Project Documents or applicable State law must provide that any action to terminate the legal status of the project or to use insurance proceeds for any purpose other than to rebuild, must be agreed to by First Lien mortgagees that represent at least 51% of the unit votes (based on one vote for each first Mortgage owned) that are subject to First Lien Mortgages.
    3. The Project Documents may allow implied approval to be assumed when the then current mortgagee of record fails to submit a response to any written proposal for an amendment within 60 days after the then current mortgagee of record actually receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.
- Rights of Mortgagee/guarantors: The project documents, applicable law or insurance policy must give the mortgagee and guarantor of the mortgage on any unit the right to timely written notice of:

1. Any condemnation or casualty loss that affects either a material portion of the Condominium Project or the unit securing its Mortgage.
2. Any 60-day Delinquency in the payment of assessments or charges owed by the owner of any unit for which it holds the Mortgage.
3. A lapse, cancellation, or material reduction of any insurance policy maintained by the HOA.
4. Any proposed action that requires the consent of a specified percentage of mortgagees.

- First Mortgagee's rights: The Project Documents must not give a Condominium Unit owner or any other party priority over any rights of the first mortgagee of the Condominium Unit pursuant to its Mortgage in the case of payment to the unit owner of proceeds from termination, or insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or Common Elements.
- Requirements when the lender relies on a project reserve study for new construction: The reserve study must comply with Freddie Mac Seller's Guide Chapter 5701.6(l).
- Requirements when the lender relies on contributions to a working capital fund for New Condominium Projects: The lender must follow the requirements per Freddie Mac Seller's Guide Chapter 5701.6(m)

Detached Condominium Project

A lender review is not required on Detached Condominium Unit when the following requirements are met:

- The unit meets Freddie Mac' definition of a detached condominium unit.
- The project does not include manufactured homes.
- If the condominium project is on a leasehold estate, the lease must comply with the requirements on the Seller's Guide Chapter 5704.
- The property must meet all applicable appraisal requirements (when an appraisal is required) and property eligibility requirements.
- The condominium unit must meet all insurance requirements and provisions on the Seller's Guide Chapter 8202.
- The condominium unit is covered by a title policy that complies with the requirements of the Seller's Guide Chapter 4702.

Reciprocal Project Review

Condominium Units located in Projects approved by other participants are eligible to Freddie Mace if those approvals comply with the below requirements:

- Fannie Mae Final Project Approval through PERS.
- The lender approved the project through a "Full Lender Review" per Fannie Mae with a Condo Project Manager (CPM) project acceptance certification and the terms and conditions on the approval have not expired, been rescinded or modified in any way.
- FHA Approved Projects are acceptable to Freddie Mac only when the lender provides documentation that the Condominium Unit is located in a project approved by FHA, all FHA approval conditions noted on the FHA website are met, the FHA condominium approval has not yet expired, has not been rescinded or modified in any way; the lender is not aware of any circumstances that would make the project ineligible for approval and the file contains a copy of the FHA approved status. Lenders may search for FHA condominium approval by location, name, or project status online at FHA Approved Condominiums

FHA Approved Condominium Projects

The Federal Housing Administration (FHA) will provide financing to a Condominium Unit property located in an Approved Condominium Project that has been approved under the HUD Review and Approval Process (HRAP) or Direct Endorsement Lender Review and Approval Process (DELRAP). FHA staff through the HUD Review and Approval Process (HRAP) issues the Condominium Project Approval; whereas an FHA Approved Direct Endorsement with Unconditional DELRAP Authority is authorized to review and approve a Condominium Project through the Direct Endorsement Lender Review and Approval Process (DELRAP). FLCBank does not offer DELRAP project review; the Condominium Project must appear on FHA's Approved Condominium Projects; loan originators may search for FHA condominium approval by location, name, or project status online at FHA Approved Condominiums.

Furthermore, FHA allows financing for a Condominium Unit property that is approved in accordance with the Single Unit Approval (SUA) requirement.

Important: FHA Streamline Refinances and HUD REO purchase transaction of a Condominium Unit Property do not require FHA Condominium Project Approval or Single Unit Approval (SUA); however, if the unit is in a Condominium Project that is FHA Approved, the FHA Condo ID must be entered when the FHA Case Number is requested on these types of transactions.

FHA Approved Condominium Projects

The loan originator must provide the Condominium Review Dept. the completed FHA HOA Condo Questionnaire HUD Form 9991 completed by the HOA on Sections 1 through 3 and be certified by the HOA on section 3.f; the Condominium Review Department will review and to confirm the project's continued compliance with the initial FHA approval requirements which include: FHA insurance concentration, owner occupancy percentage, individual investor ownership, percentage of owners in arrears for condominium association fees, commercial/non-residential space, insurance coverages and other FHA Condominium requirements; if FHA continued Condominium Project Approval compliance is verified, the FHA Lender Certification for Individual Unit will be signed and placed in the loan file (form is available in the resource center).

Continued FHA Condominium Project Approval Requirements can be found in the SFH 4000.1 Section II.A.8.p; II. C; and II.D.6.a

FHA Single Unit Approval (SUA)

Single Unit Approval (SUA) refers to the approval of a Unit in a Condominium Project that is not FHA Approved. FHA allows for selected condominium units to be eligible for Single-Unit Approval that meet FHA SUA eligibility requirements.

- The Loan Originator must confirm the Condominium Project is not on the FHA Approved Condominium List FHA Approved Condominiums at the time the request for the FHA Case Number is submitted to FLCBank.
  - FLCBank will proceed to process the request for the FHA Case Number for a Single Unit Approval (SUA) as noted in Mortgagee Letter 2019-13
  - The Single Unit Approval (SUA) Case Number assignment will not be issued by FHA Connection; instead, the request will default into "Holds Tracking" (an FHA Case

Number will not be issued until the FHA Resource Center receives all required information and documentation for the Condominium Project). See below for further details.

- The Loan Originator must submit to the Condominium Review Department all the required information and documentation via e-mail at reviews@condoreviews.com including the completed FHA Single Unit Approval Condominium Questionnaire Form HUD-9991; the Project will be reviewed for eligibility for FHA's Condominium Single Unit Approval.
- If the Condominium Project is deemed eligible for FHA Single Unit Approval by the Condominium Review Department, an e-mail with all the required documentation will be submitted to the FHA Resource Center at answers@hud.gov as per Mortgagee Letter 2019-13 with a carbon copy to the Loan Originator.
    - The Condominium Review Department will issue a confirmation for the FHA Single Unit Approval has been made that will be placed in the loan file.
- FHA's Homeownership Center (HOC) will process the information to determine if an FHA Case Number can be issued and will notify the submitter of when the Holds Tracking has been removed.

SUA Project Eligibility Requirements

The Condominium Project must:

- Project must be "Established" meaning have a Certificate of Occupancy issued at least 12 months ago or be occupied;
- Have at least five units;
- Is not a Manufactured Home;
- Does not have ineligible characteristics; and
- Is not located in an Approved Condominium Project or unapproved Phase of a Condominium Project with an approved Legal Phase.

Requirements for Eligible Properties

1) FHA Insurance Concentration:
    - Cannot exceed 10% in a project with ≥ 10 units.
    - No more than 2 units in a project with < 10 units.
2) Owner Occupancy Percentage: must be at least 50% of the total number of units.
3) Recorded Documents: must have evidence that the Project's documents were recorded in accordance with applicable state and local law to ensure the Condominium Project can be legally operated in the local jurisdiction.
4) Transfer of Control: the Control of the Condominium Association has been transferred to the owners and provide the recorded Covenants, Conditions, and Restrictions (CC&R).
5) Financial Condition: document the financial stability of the Project with evidence:
    - The Condominium Association maintains separate accounts for operating and reserve funds;
    - A reserve account for capital expenditures and deferred maintenance is funded with at least 10% of the aggregate monthly HOA dues (unless a lower amount is deemed sufficient by a reserves study); and
    - No more than 15% of the total units are >60 days past due (arrears).
    - Documentation must be provided evidencing that the Condominium Project has not experienced a financial distress event within the past three (3) years.
6) Individual Owner Concentration: the individual owner or related party* must meet the

individual owner concentration maximums noted below:

- Cannot exceed 10% in projects with ≥ 20 units.
- No more than 1 unit in a project with < 20 units.

*Related party refers to any individual or entity that is related to the owner of the unit owner that includes: relation by blood, marriage, or operation of law; serving as the owner's officer, director or employee; or parent, subsidiary, or any entity with which the owner shares a common officer or director.

7) Commercial/Non-Residential Space Financial Independence: The project's Commercial/Non-Residential space must be financial independent and sustainable from the Residential space so that neither portion of the Condominium Project is financially reliant on the other. To document this, the loan originator must provide the following:
   - A current year budget approved by the board(s);
   - A year-to-date income and expense statement dated within 90 Days if the prior year to date actuals are more than 90 Days old;
   - An income and expense statement for the previous year's actual year end results; and
   - A current balance sheet dated within 90 Days prior to the date of submission.
8) Commercial/Non-Residential Space: The Condominium Project's Commercial/Non-Residential Space cannot exceed 35% of the Condominium Project's Total Floor Area. This must be documented and verified via the recorded site condominium plans; and recorded CC&Rs.
9) Insurance Coverage: The Condominium Project where the single Unit is located must be insured to FHA standards as well as any applicable state and local condominium requirements. The unit must have Walls-In Insurance to cover the interior of the unit and personal property inside the unit. Also, the Project must have hazard insurance coverage for physical damage by fire, wind, natural occurrences or other events outside of the Project's control via a master or blanket policy. The insurance policies must list the Condominium Association as the named insured, or in the case of an affiliated Condominium Project or Condominium Association, the name of the affiliated Condominium Project or Condominium Association may be listed as a named insured. Please refer to FLCBank's Hazard and Flood Guidelines in the Resource Center for additional information.
10) Projects in Coastal Barrier Resources System or Special Flood Hazard Areas:
    - If any part of the Condominium Project is located within the Coastal Barrier Resources System (CBRS), the Condominium Project is not eligible for FHA Single Unit Approval (SUA).
    - If any portion of the structures or equipment essential to the value of the Condominium Project is located within a SFHA, the Condominium Project is not eligible for Condominium Project Approval unless the project meets the SFHA requirements for Condominium Project Approval requirements.
11) Live-Work Unit: If the Condominium Project allows space within the individual unit to be used for residential and non-residential purposes, the loan originator must provide the project's governing documents that allow such arrangements, and the lender must confirm that the individual Live-Work unit does not contain > 49% commercial/non-residential space.
12) Leasehold Interest: FLCBank does not provide financing to property/units located in a

Leasehold Estate.

13) Litigation: The lender must verify that the Condominium Project or Condominium Association is not subject to Litigation that relates to the safety, structural soundness, habitability, or functional use of the Condominium Project; and also, not subject to any other Litigation risk not covered by insurance or that exceeds the amount of insurance coverage relating to the potential losses for that matter.

Required Documentation for Single Unit Approval (SUA) Process Review

- Fully completed "FHA Single Unit Approval Questionnaire-HUD Form 9991" (available in the Resource Center).
- Flood Determination Certification
- Certificate of Insurance:
  a) Property/wind
  b) Liability
  c) Fidelity.
  d) FEMA Flood Map.
  e) Flood including RCV, if required.
  f) HO-6 if Master insurance is not walls-in.
- Recorded copy of CCR's or Declaration of Condominium.
- Recorded copy of By-Laws of Condominium.
- Recorded copy of Articles of Incorporation of the condo association. If unincorporated, please advise.
- Financials:
  a) Current Annual Budget
  b) YTD Operating Statement.
  c) Prior Year Operating Statement.
  d) Balance Statement (Less than 90 days)
  e) Financial Distress Resolution
- Litigation- Provide copy of Complaint(s).